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Morocco

Grain and Feed

Annual

2007

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Report Highlights:

Morocco's grain production (wheat and barley) is expected to be down sharply from last year. Lack of adequate rainfall during the fall and the winter affected crop development significantly and, as a result, imports are expected to increase sharply.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Production

Morocco's grain production (wheat and barley) is expected to be down sharply this year because of the inadequate rainfall during the fall and early winter that resulted in lower planted area and poor crop development especially in inland grain plains. Following a record year in bread wheat production, the area planted to total wheat is expected to reach the lowest level in 10 years. The area planted to durum wheat continues to shrink in favor of the bread wheat for which the government has a minimum support price (2,500 dh/MT); the planted area for durum is forecast to reach its lowest level in 30 years. Barley area is also down significantly as the delay in rainfall discouraged planting especially in the southern and south-central parts of the country.

Compared to the insufficient rainfall inland, the coastal plains received more rain but unevenly and irregularly. This resulted in weak and heterogeneous development of wheat and barley crops. Many fields in the potentially major producing areas inland (Beni Mellal, Settat, Marrakech, Khenifra, etc.) show very late grain crops that are unlikely to recover or result in significant output even if adequate rainfall is recorded during the spring. The coastal plains received relatively more rain, although in many cases below average, but many fields are likely to benefit greatly from additional rain in the coming weeks with little chance to reach last year's levels.

As of mid-march, assuming normal rain during the spring AgAtt forecast local wheat production at about 2.5 MMT. This production estimate could drop further if no rain is recorded within the next few weeks.

Year of Harvest	2002	2003	2004	2005	2006 Final		2007 Forecast*
PLANTED AREA (1000 ha)							
<i>Durum Wheat (1)</i>	881.7	1,092.9	1,110.5	1,059.1	1,069.0		792.0
<i>Soft Wheat (2)</i>	1,744.7	1,896.0	1,953.2	1,906.7	2,037.7		1,710.0
Tot. Wheat (1)+(2)	2,626.4	2,988.9	3,063.7	2,965.8	3,106.7		2,502.0
Barley	2,002.4	2,266.5	2,324.1	2,179.8	2,188.7		1,800.0
Total Planted	4,628.8	5,255.4	5,387.8	5,145.6	5,295.4		4,302.0
PRODUCTION (1000 MT)							
<i>Durum Wheat (1)</i>	1,031.5	1,766.2	2,024.8	940.7	2,095.5		700.0
<i>Soft Wheat (2)</i>	2,325.2	3,380.6	3,515.1	2,102.4	4,231.3		1,500.0
Tot. Wheat (1)+(2)	3,356.7	5,146.8	5,539.9	3,043.1	6,326.8		2,200.0
Barley	1,669.0	2,620.4	2,760.4	1,102.2	2,535.1		1,000.0
Total Production	5,025.7	7,767.2	8,300.3	4,145.3	8,861.8		3,200.0

Source: Official Data from the Ministry of Agriculture

* Production forecast by AgAtt Office.

Consumption

Marketing and imports of grains in Morocco are generally free except for the non-durum wheat that is used to make subsidized flour. Farmers do have the option to sell their non-durum wheat production to GOM licensed traders (grain merchants, cooperatives, and mills) at a GOM-preset price (2,500 dh/MT) or sell it in the free market. Prices of other grains (including durum wheat and barley) are freely negotiated in the market. (Indicative exchange rate 1 dirham (dh) = \$8.4)

The GOM continues to subsidize about 1 MMT of wheat flour (non-durum) presumably to make flour available to the low-income population. Marketing of the wheat to make subsidized flour is subject to heavy government control at all levels. This wheat (whether local or imported through ONICL tenders) enters flourmills at the same price of 2,588 dh/MT for the standard quality. ONICL licensed traders purchase the local wheat for subsidized flour from farmers at 2,500 dirhams/MT and the imported wheat from importers at 2534 dh/MT. Local grain traders are required to clean and bag the local wheat if necessary to meet the quality required by the mills to make subsidized flour. Finally, grain collectors get a storage fee of 20 dirhams / MT / 15 days from the government as an incentive to store wheat

The non-durum wheat accounts for most of the grain that goes through the official channels in spite of the yearly variations caused by the size of the harvest. In 2005-2006, non-durum wheat channeled through the official channel (authorized grains merchants, grains cooperatives, and wheat millers) increased by over 45 percent due to the unprecedented crop. The table below provides data on grain marketing through ONICL licensed agents (1000 MT):

Grains marketed through ONICL Licensed Agents

MY Beg Year	2001	2002	2003	2004	2005	2006 Estimates
Wheat	1,092.4	1,013.1	1,506.5	1,859.9	1,650.5	2,419.8
Durum Wheat	18.6	18.4	24.4	20.6	14.9	7.6*
Barley	17.6	10.3	14.0	7.6	3.2	1.7*
Corn	5.5	4.2	6.7	1.7	1.9	1.5*
Total	1,134.10	1,046.00	1,551.60	1,889.80	1,670.50	2,430.60

Source: ONICL. * AgAtt estimates

Trade

Wheat and barley imports are expected to soar next year reflecting the expected small crop. Barley imports for feed and for food is likely to increase significantly during the next marketing year especially if the weather conditions (rainfall) are not favorable during the 2007 fall which would negatively affect pasture conditions for grazing. The current situation indicates that the supply of feed (pasture, cereal hay, and straw) is likely to be limited in many areas of Morocco because of the poor development of plants this year. As a preventive measure to help maintaining the 16 million head of sheep, 3 millions head of cattle, and 5 million head of goats go through the dry periods, the government announced a phase out of duties for many feed including feed corn, alfalfa hay, sugar beet pulp, feed peas, screenings, DDGS, and others.

Wheat under FTA

As far as wheat is concerned, the two agreements with the largest impact on wheat are the EU and the US Free trade agreement. For bread wheat, both the EU and the United States have a TRQ whose sizes depend on the volume of production. Unlike for the EU TRQ, the US did not yet make full use of the wheat TRQ because of implementing difficulties, divergent interpretations of the agreements, and unfavorable US wheat prices especially for the most demanded wheat by Morocco namely, HRW. Finally, importers claim that the absence of a schedule for tenders makes managing imports from the United States under the FTA difficult.

Based on the forecast production, the US TRQ will be at its maximum (740,000 MT). The TRQ for durum wheat is at 260,000 MT for calendar year 2007. The EU TRQ during MY 2006/2007 (August-May) is at its minimum of 400,000 MT. For MY 2007/2008, the EU TRQ for non-durum wheat is likely to be set at its maximum of 1.0 MMT because of the anticipated low local production.

FTAs Resulted in More Government Control of wheat imports

The EU and US FTAs have allowed the government of Morocco to take great control of the once liberalized wheat import market. Under the two FTAs, the Cereal Office tenders for durum wheat (5,000 MT for the EU and 260,000 MT for the United States) compared to no involvement in durum wheat purchases since 1996. For bread wheat, the Cereal Office is currently in charge of tendering for quantities varying from a minimum of 693 MMT (total of minimum EU and US TRQs) to over 1.7 MMT depending on the size of the local crop, which could represent over a half of Morocco's bread wheat imports in some years. After the liberalization in 1996, the share of imports tendered for by the government Cereal Office declined to about 25 percent and consisted mostly in wheat imported for the subsidized flour.

Change in duties

On August 3, 2006, Morocco increased its duties on bread wheat to reduce imports and facilitate the commercialization of the local bumper wheat production. On February 19, facing the surge in world wheat prices and in the local demand for imported wheat; the government reduced the import duty on bread wheat. Both changes in duties were made with virtually no lead-time and no reasonable advance notice making it hard for wheat traders to measure their risks and estimate their costs.

The table below provides data on the most recent changes in wheat duties

	Tariffs (a)*	Threshold Price (dh/MT) (b)*	Additional Duty (c)*	Indicative Prices \$/MT			Average Duty
Indicative Price (C&F & port Charges)				\$214.29	\$220.24	\$226.19	
Implementation Date				Effective Duty (%) (I)			
June 2005 to August 3, 2006	115.00%	1,000	2.50%	65.00%	63.31%	61.71%	63.34%
August 3, 2006 to February 18, 2007	130.00%	1,000	2.50%	73.33%	71.42%	69.61%	71.45%
February 19, 2007 to Current	60.00%	1,000	2.50%	34.44%	33.58%	32.76%	33.60%

Note: *The tariff (a) is applied on the part of the price equal to threshold price (b). Part of the price above threshold price is subject to tariff (c)

** The effective duty depends on the level of price

Indicative Exchange Rate (dirhams/\$) 8.400

PSD Table

Country Commodity	Morocco Wheat								
							(1000 HA)(1000 MT)(MT/HA)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007
Area Harvested	2966	2966	2966	3100	3106	3107	0	0	2500
Beginning Stocks	3049	3135	3049	1310	1506	1147	1810	2006	1874
Production	3043	3043	3043	6100	6100	6327	0	0	2100
MY Imports	2418	2300	2055	1900	1500	1500	0	0	3500
TY Imports	2418	2300	2055	1900	1500	1500	0	0	3500
TY Imp. from U.S.	81	100	95	0	500	160	0	0	400
Total Supply	8510	8478	8147	9310	9106	8974	1810	2006	7474
MY Exports	100	72	100	100	100	100	0	0	100
TY Exports	100	72	100	100	100	100	0	0	100
Feed Consumption	200	0	0	200	0	0	0	0	0
FSI Consumption	6900	6900	6900	7200	7000	7000	0	0	6900
Total Consumption	7100	6900	6900	7400	7000	7000	0	0	6900
Ending Stocks	1310	1506	1147	1810	2006	1874	0	0	474
Total Distribution	8510	8478	8147	9310	9106	8974	0	0	7474
Yield	1.025961	1.025961	1.025961	1.967742	1.963941	2.036369	0	0	0.84

Import Trade Matrix

Country Morocco
Commodity Wheat

Time Period	MY	Units:	Metric Tons
Imports for:	2005		2006
U.S.	95450	U.S.	
Others		Others	
France	802107		
Canada	406197		
Ukraine	336780		
Russia	241457		
Germany	108608		
Sweden	49542		
Great Britain	14615		
Lebanon	4		
Total for Others	1959310		0
Others not Listed			
Grand Total	2054760		0

PSD Table

Country Commodity	Morocco Barley								
							(1000 HA)(1000 MT)(MT/HA)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007
Area Harvested	2180	2180	2180	2200	2188	2189	0	0	1800
Beginning Stocks	1178	1175	1178	331	527	380	631	1027	815
Production	1102	1102	1102	2500	2500	2535	0	0	1000
MY Imports	501	700	450	400	500	400	0	0	800
TY Imports	500	700	267	400	500	400	0	0	800
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	2781	2977	2730	3231	3527	3315	631	1027	2615
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	1600	1300	1500	1700	1700	1600	0	0	1500
FSI Consumption	850	1150	850	900	800	900	0	0	600
Total Consumption	2450	2450	2350	2600	2500	2500	0	0	2100
Ending Stocks	331	527	380	631	1027	815	0	0	515
Total Distribution	2781	2977	2730	3231	3527	3315	0	0	2615

Import Trade Matrix

Country Morocco

Commodity Barley

Time Period	Mktg Year	Units:	Metric Tons
Imports for:	2005		2006
U.S.	17927	U.S.	
Others		Others	
France	207516		
Germany	89155		
Ukraine	40601		
Russia	27298		
Turkey	23204		
Bulgaria	15420		
Romania	15000		
Maldives	14377		
Total for Others	432571		0
Others not Listed			
Grand Total	450498		0